

State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER Executive Director

Division of Oil Gas and Mining

JOHN R. BAZA

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Minerals Inspection Report

05/24/2018

Report Date:

Mine Name: TMM Mine Permit Number: M/47/0089 Mine Status: Active Operator Name: Petroteq Energy Inspection Date: 05/21/2018 Permit Fees: Paid Inspector(s): A. Abate, M. George, W. Campbell, N. Hall Inspection Time: 1:45 PM Bond Amount: \$385,672 Attendee(s): D. Sealock, J. Merrell, S. Arentz Weather: Clear 60sF Bond Escalation: 5/30/2019 Inspection Purpose: Plant Start up Prior Inspection: 9/29/2017 Conclusions and Recommendations A Division Directive to update the Notice of Intent (NOI) detailing the current operations and revising the reclamation bond costs will be issued. Advised Mr. Sealock to respond to this directive by schedule a meeting with OGM personnel to discuss updates to the NOI. Elements of Inspection Evaluated & Commented Enforcement Permits, Revisions, Transfer, Bonds Company name and contact information needs to be updated in the Notice of Intent (NOI) aka mine plan. Operator is currently listed as TMC Capital, LLC and the mine name is the TMM mine. Contact name and address information needs to be updated in the NOI. A small company called Vivakor was authorized to operate on the property a few years ago. The company is no longer operating, but has left some equipment on site. This equipment was incorporated into the bond calculations in the NOI adding \$3,092 to the reclamation liability. Petroteq committed to removing the equipment and to submit an amendment to remove the Vivakor equipment from the bond calculations. Public Safety (shafts, adits, trash, signs, highwalls) A new sign was observed at the entrance to the mine from Highway 45 showing the Petroteq logo. The operator has been making good progress in removing a significant amount of trash and scrap metal left over from the previous operator. 3. Protection of Drainages/Erosion Control Inspectors from the Utah Division of Water Quality were onsite during this inspection to evaluate the stormwater retention ponds and petroleum containment structures. Ponds were located adjacent to the entrance road southwest of the processing facility. DWO requested that the operator file for a Utah Pollution Prevention permit through their office. OGM would also request that the NOI be updated to include a map showing the hydrologic design of the permit area including both the mine and processing plant area. The plan should indicate the flow of stormwater, retention ponds (including cross-sections to show capacity), diversion structures, and culverts (if needed). DWQ also requested that the groundwater discharge permit the company holds be updated for their records as well. DOGM requests that once the stormwater permit is obtained and the groundwater discharge permit has been updated, both be included as an appendix in our NOI titled "other permits". Deleterious Material As mentioned, the operator is doing a good job of cleaning up the old boneyard area. In the processing plant area, approximately 15 tanks were observed reported to hold condensate solvent and crude oil. The NOI currently states that 4 tanks are at the site. This information is one example of some of the fine tuning updates that are needed to the NOI now that the project is going operational. 5. Roads (maintenance, surfacing, dust control, safety) 6. Reclamation Backfilling/Grading (trenches, pits, roads, highwalls, shafts) The waste rock pile at the southern end of the permit area was briefly discussed. There is no existing plan for it other than what is in the NOI right now stating that it will be reclaimed with a 2H:1V slope. As part of the NOI update, the operator should prepare an updated reclamation plan and evaluate whether or not this old waste rock pile could (ideally) be eliminated and used to backfill the mine pit.

8.

Soils

Mine: M/47/0089
Inspected: 05/21/2018

With any new disturbance created, topsoil should always be salvaged and stockpiled for future reclamation purposes. Part of the NOI review should take into consideration where topsoil piles will be stockpiled and calculate the volumes needed for reclamation purposes.

9. Revegetation

10. Other

Start up is planned for the end of June 2018. Discussed with Mr. Sealock reporting quantities of final oil products produced from the mining operation to the State of Utah. Randy Thackery from the DOGM auditing division will conduct a future inspection once the mine is in full production to further evaluate this issue.

Inspector's Signature:

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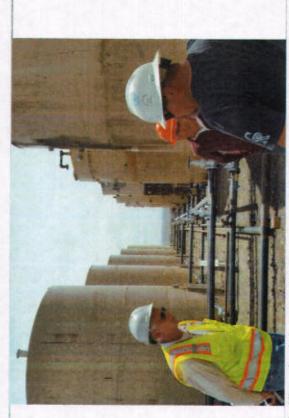
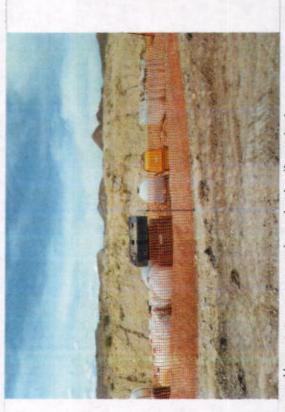


Photo 1. View of tank farm containing 15 storage tanks with crude oil and condensate products.



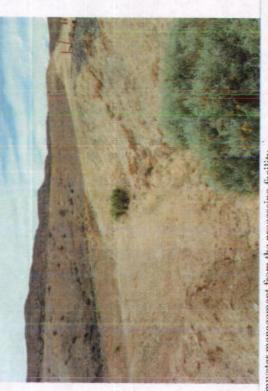
Berm around tank farm should be built up to hold 110% capacity of the largest tank.



Petroleum and hazmat storage area was bermed and well contained.



View of the processing equipment.



View of the impoundment recently constructed for stormwater management from the processing facility.



View of the boneyard. Equipment is being scrapped and removed.



Welding activities were occurring during the time of the inspection.